

Industrial Market Report

Q1 2024

Puget Sound Industrial Market

Summary

The Seattle/Puget Sound industrial market has seen it's worst net absorption in the last 10 years, sitting at a current -4.8 million SF. Tenants continue to show hesitancy on new leases and expansion plans due to uncertainty in the market and high rental rates. While the market is beginning to show signs of tightening back up, there are still challenges that remain.

With the significant slowdown since the end of 2022, the Seattle market has only seen a 6% rent growth over the last 12 months, compared to the 20% increases that were seen year over year beginning in 2020. This can mainly be explained due to the lack of demand that has been seen over the last 16 months.

With vacancy sitting at a 10-year high of 7.4%, this does not take into account the large amount of sublease space that is also on the market, bringing availability rate to 9.4%. Sublet availability has risen from around 2M SF in Q1 2023 to 5.4M SF in Q2 2024. It's presumed that the vacancy rate will continue to rise due to 6.7M SF that is currently under construction.

In 2023, sales volume was down by more than 70% which marks the slowest pace for industrial sales in over a decade. Investors remain cautious due to interest rates and economic uncertainty. This in turn is pushing cap rates upward. It still looks like owner-user purchases are dominating the sales market and will continue to do so for the next 6-9 months. Throughout the first quarter of 2024, there seems to be more options for buyers, and investors coming back into the picture with a new appetite.

AVAILABILITY	QUARTER 4 - 2023		12 MONTHS AGO	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$1.24 ↑	\$1.00 ↑	\$1.17	\$0.95
Vacancy Rate	7.4% ↑	6.2% ↑	4.9%	4.4%
Month on Market	6.8 ↓	5.9 ↓	5.6	5.5

INVENTORY	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Inventory SF	355 M ↑	18.98 B ↑	349 M	18.2 B

SALES	MARKET		NATIONAL INDEX	
	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Sale Price/SF	\$228 ↑	\$141 ↑	\$259	\$162

Industrial Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
Logistics	240,665,257 ↑	8.4% ↑	\$1.17/SF ↑	10.8%
Specialized Industrial	85,205,237 ↑	4.8% ↑	\$1.18/SF ↓	4.5% ↓
Flex	29,438,527 ↓	7.6% ↓	\$1.98/SF ↓	11.4% ↓
Market	355,309,021 ↑	7.4% ↑	\$1.23/SF ↓	9.4%

Puget Sound Office Market

Summary

The Seattle office market is currently in its largest downturn in more than 40 years. In 2023, occupancy in Seattle fell by over 4M SF which is the largest drop off in history. It seems like this trend will continue as significant future moveouts have also been announced. With the large demographic of tech companies in Seattle, it makes the market more vulnerable than average.

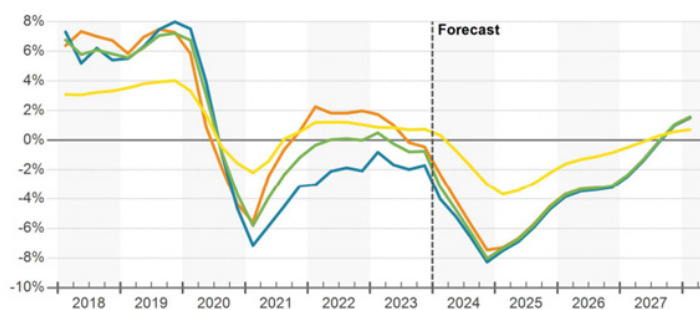
Bellevue is showing strong signs of a comeback, as seen by occupancy rising by about 1.5M SF over the last couple of quarters. This also applies to the Bellevue suburbs like Redmond and Kirkland.

The office market continues to be a tenant's market with steep negotiations. For landlords, a positive sign is the low levels of under-construction offices. With few deliveries over the last 18 months, landlords can only hope that tenant demand ends up relieving pressure on vacancy rates.

As of March 2024, volume for office sales has experienced around a 90% drop off from the peak \$6.4B in 2021. Large institutional players have accounted for about 37% of office sales from 2012-2022 but have fallen to 15% over the last year. Most sales have been coming from smaller properties and owner-user deals.

	QUARTER 4 - 2023		12 MONTHS AGO	
AVAILABILITY	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Rent/SF	\$37.03 ↓	\$35.36 ↑	\$38.40	\$35.23
Vacancy Rate	15.4% ↑	13.8% ↑	11.2%	12.9%
Month on Market	13.2 ↓	13.7 ↑	11.6	13.3
INVENTORY	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Inventory SF	234 M ↑	8.5 B	228 M	8.4 B
SALES	MARKET	NATIONAL INDEX	MARKET	NATIONAL INDEX
Market Sale Price/SF	\$397 ↓	\$275 ↓	\$506	\$334

MARKET ASKING RENT GROWTH (YOY)



Office Market Statistics

Current Quarter	RBA	Vacancy Rate	Market Rent/SF	Availability Rate
4 & 5 Star	104,526,474 ↑	19.7% ↑	\$42.67/SF ↓	23.5% ↑
3 Star	80,821,450 ↓	14.9% ↑	\$33.83/SF ↓	16.6% ↑
1 & 2 Star	48,891,054 ↓	7% ↑	\$29.36/SF ↓	8.0% ↑
Market	234,238,978 ↑	15.4% ↑	\$37.35/SF ↓	18.1% ↑